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**GAO**

**United States General Accounting Office**

**Report to Congressional Requesters**

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**August 1989**

**FEDERAL  
WORKFORCE**

**Federal Suggestion  
Programs Could Be  
Enhanced**





United States  
General Accounting Office  
Washington, D.C. 20548

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**General Government Division**

B-223262

August 23, 1989

The Honorable Gerry Sikorski  
Chairman, Subcommittee on Civil Service  
Committee on Post Office and  
Civil Service  
House of Representatives

The Honorable John Kasich  
House of Representatives

This report presents information on the key factors that contribute to a successful suggestion program in terms of employee participation and savings.

As arranged with you, unless you publicly announce the contents of this report earlier, we plan no further distribution until 7 days from the date of the report. At that time, we will send it to the Director, Office of Personnel Management; Director, Office of Management and Budget; and other interested parties.

Major contributors to this report are listed in appendix III. Please contact me at 275-5074 if you or your staff have any questions concerning the report.

A handwritten signature in cursive script that reads "Bernard L. Ungar".

Bernard L. Ungar  
Director, Federal Human Resource  
Management Issues

Program managers said monetary awards are important to program success. Various motivational studies show that money is one of the fundamental reasons why employees participate in suggestion programs. A major difference between private and federal programs is the more generous award formula prevalent in private sector programs. In GAO's opinion, private firms' greater awards account, at least in part, for the higher employee participation and savings in the private sector.

According to the Association's 1987 data, private sector members received about eight times as many suggestions and achieved about five times more savings per 100 eligible employees than federal agencies. At the same time, the private sector members paid about 21 times more award dollars per 100 eligible employees than federal agencies.

GAO's analysis showed the sliding-scale formula for calculating monetary awards for tangible benefits results in lower awards for federal employees than the fixed-percentage formula (usually 10 percent or more of savings) that the private sector typically uses as shown by Association data. Federal employee awards are subject to legal dollar limits. GAO did not review whether the existing ceilings should be changed.

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## Principal Findings

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### Presence of Key Factors in Federal Programs

Federal program managers that GAO contacted and participants in a 1986 Merit Systems Protection Board study identified the key factors and said the factors were generally present in their programs to some degree. GAO interviewed the program managers in four federal agencies and the Board's study covered 22 federal agencies. They said while top management support was provided, middle management and first-line supervisors were not always supportive. The U.S. Merit Systems Protection Board study found adequate funding and staffing were lacking in most federal programs. In a 1988 OPM survey of 38 federal agencies with low participation levels, officials attributed their lack of success to inadequate resources. (See pp. 12 to 14.)

Federal program managers and the six private sector program managers GAO interviewed, who also identified key factors, said responsiveness to suggesters is important and that the biggest disincentives are slow processing of suggestions and nonresponsive replies to employees. They said that to ease the impact of inadequate staff resources, automated

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value and limited application could receive an award ranging from \$25 to \$100. (See app. I.)

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## Recommendation

To motivate federal employees to participate more actively, GAO recommends that the Director, OPM, revise the agency's regulations by adopting a fixed-percentage formula for tangible benefit awards of not less than 10 percent, which is the typical industry practice as shown by Association data. OPM and other agencies should be aware that the potential benefits of this change may not be realized unless the other key factors also receive continual emphasis.

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## Agency Comments

In oral comments on a draft of this report, OPM said it agreed with the report's findings. OPM said it was reviewing the relationship between benefits and awards under this program and will consider GAO's recommended change in the awards formula. (See p. 21.)

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**Contents**

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**Abbreviations**

MSPB	Merit Systems Protection Board
NASA	National Aeronautics and Space Administration
NASS	National Association of Suggestion Systems
OPM	Office of Personnel Management

Employees can offer suggestions that result in either tangible or intangible benefits. Tangible benefits are improvements that result in quantifiable dollar savings, such as producing more items at less cost. Intangible benefits, such as improving safety techniques, do not produce measurable dollar savings. As described in chapter 3 and appendix I, awards are calculated differently for tangible and intangible benefit suggestions.

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## Role of the National Association of Suggestion Systems

The National Association of Suggestion Systems (NASS), whose membership is open to both the private and public sectors, works to improve employee suggestion programs. NASS, which has a membership of about 1,000 private firms and government agencies, collects and distributes information about suggestion programs. Members contribute program statistics that are included in an annual report. NASS' May 1988 annual report contained program statistics on a total of 236 private firms and 83 federal agencies<sup>1</sup> for calendar year 1987. The private sector firms reporting data for 1987 are listed in appendix II. The private firms claimed savings from tangible benefit suggestions of \$1.4 billion and the federal agencies reported savings of \$469 million for 1987. NASS has established measures for program effectiveness that are the generally accepted industry norms. Program effectiveness is measured primarily by the number of tangible and intangible benefit suggestions received and the amount of savings realized from tangible benefit suggestions per 100 eligible employees.

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## Objectives, Scope, and Methodology

In November 1987, the Subcommittee on Civil Service, House Committee on Post Office and Civil Service, held a hearing on the Government Employee Incentive Awards Program, with particular emphasis on the employee suggestion program. Data presented during testimony showed higher employee participation rates and savings in private sector suggestion programs than in federal programs. During our testimony, Chairwoman Patricia Schroeder and Representative John Kasich requested that we determine (1) what factors contribute to a successful suggestion program in terms of employee participation and savings, and (2) what private sector policies and practices could be adopted to enhance federal programs.

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<sup>1</sup>These include all of the major federal agencies with over 4 million civilian and military personnel.

largest federal agencies about the use of automation in their suggestion programs. MSPB's May 1986 report Getting Involved: Improving Federal Management With Employee Participation presented the results of a survey given to 22 federal departments and agencies that employ over 95 percent of all federal civilian employees. The survey's purpose was to identify and report on successful employee involvement systems or mechanisms, which helped to reduce fraud, waste, and mismanagement.

Our review was limited in that we (1) did not test the reliability of suggestion program activity statistics provided to us by OPM, NASS, or private sector firms; (2) did not evaluate the methodology used in OPM's 1976 pilot study; and (3) reviewed motivation publications that did not contain the methodologies used to gather information and make conclusions. Consequently, we could not evaluate those methodologies. Also, according to an OPM official, comparisons of private sector and federal program statistics can be influenced by such factors as the nature of the organization or eligibility to participate. He said, for example, that in private firms involved in manufacturing, the opportunities for cost-saving suggestions may be greater than in federal agencies because of the type of work involved.

We did our audit work between January 1988 and March 1989 in accordance with generally accepted government auditing standards. We obtained agency comments from OPM officials who generally agreed with the facts as presented. Their comments are included on page 21.

submit suggestions. This and the other key factors are discussed in the following section.

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### Management Commitment Is Important to Program Success

According to the MSPB study, many of the most active or productive employee involvement systems, including the suggestion program, were those which had the active interest and support of top agency management. Similarly, most federal and private sector suggestion program managers we interviewed often cited this factor as crucial to suggestion program success. One private firm program manager said that the driving force behind the success of the firm's program is participation by employees, and that management support is the key to gaining that participation.

According to the MSPB study, even if top management supports the program, unless that support is communicated to the rest of the agency through the actions of middle managers and first-line supervisors, success will likely be limited. The MSPB study reported that federal program managers get management support at the top agency level, but not necessarily at the middle manager and first-line supervisor level. Private and federal program managers we contacted confirmed this management support problem in their organizations. According to the MSPB study and private and federal program managers, the lack of middle manager and first-line supervisor support is due mainly to managers having to evaluate suggestions, which is time consuming, in addition to their regular duties and their feeling threatened because they did not identify the needed improvement as part of their ongoing responsibilities.

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### Ongoing Publicity Provides Employee Awareness and Stimulates Participation

According to the MSPB study and private and federal program managers we interviewed, ongoing program publicity is another key factor in a successful program; it is important that employees and management know about the program and how to use it. One private firm program manager said that publicity does not mean just a letter to employees from management expressing support for the program. He said it means being visible, presenting awards, and promoting the program, possibly through a company newsletter or similar communication medium, on a continuous basis.

Both private and federal program managers we interviewed said they actively promote their programs through newsletters or special campaigns, and that their top management officials are also promoting the

According to the MSPB study and federal program managers we contacted, one way to expedite suggestion processing time is to use automated suggestion systems. The MSPB study and Air Force and Navy documents show that automated suggestion systems efficiently track the status of suggestions, compile report data, and generate adoption or nonadoption letters. According to an Air Force official, using automated systems has helped the Air Force successfully process large numbers of suggestions in a timely manner and achieve high participation levels. The Air Force reported to NASS that it received over 31,000 suggestions in 1987 and its participation rate was 13.8 per 100 eligible employees. This rate was the highest of all reporting federal agencies. NASS reported that 67 percent of private firms submitting data in 1987 had automated suggestion systems.

In 1988, OPM surveyed 23 of the largest federal agencies to determine whether they had automated suggestion systems and how the systems were used. OPM found that 11 (48 percent) of these agencies were using automated suggestion systems.

In July 1988, OPM issued guidance to federal agencies for using computer technology to improve their employee suggestion programs. In this guidance, OPM identified federal agencies that have designed and implemented automated systems so that agencies could draw on this experience and expertise.

According to private and federal program managers and the MSPB study, program managers must take positive and timely responsive action in interacting with employees, such as acknowledging receipt of a suggestion, providing suggestion status, and fully explaining evaluations made on their suggestions. For example, managers said common problems that illustrate unresponsiveness to suggesters are untimely or incomplete evaluations. Some of the causes identified were other demands on evaluators' time, low priority for evaluation and implementation, careless or incomplete handling by evaluators, and inadequate evaluations. According to private and federal managers, employees who perceive that their ideas are not fully considered are reluctant to participate again.

# Larger Cash Awards Could Stimulate Greater Participation in Federal Suggestion Programs

According to the literature on motivation, money encourages employees to participate in incentive programs. OPM's 1976 pilot study demonstrated that paying greater awards can stimulate participation and increase savings. Our analysis showed that private suggestion programs differ from federal programs in the formula used to calculate awards for tangible benefit suggestions. The fixed-percentage formulas prevalent in private sector programs allow higher awards than the federal formula and, in our opinion, are one reason why private programs have higher reported participation levels and realize greater reported savings.

The federal program formula uses a sliding scale to calculate awards for tangible benefit suggestions and results in lower award amounts for the same level of savings than the fixed-percentage formulas typically used by most private suggestion programs. However, the federal awards formula that determines intangible benefit awards is similar to that of private industry. (See app. I for details.) While both types of awards are generally subject to ceilings, we did not review the effects of these ceilings on employee participation or suggestion savings.

## Private Programs Are More Successful

According to NASS, participation rates and savings are the primary indicators of program success. NASS' 1987 report showed that private firms received about eight times as many suggestions per 100 eligible employees as the federal agencies. Private firms received about 30 suggestions per 100 eligible employees, while federal agencies received 3.9. In addition, NASS reported the tangible benefit savings generated by private firms were almost five times more than those of federal agencies per 100 eligible employees. Private firms generated about \$50,000 in realized savings per 100 eligible employees, compared to about \$11,000 per 100 employees for federal agencies.

## Money and Recognition Are Key Motivators for Employee Participation

Along with citing money as a primary motivational factor (as 24 of the 30 publications reviewed did), they also cited as factors the desire to contribute to improved operations and a desire for personal recognition. For example, one publication stated that "(1) the suggestion system is a contract to buy ideas from employees; (2) employees are attracted by cash awards and the chance for recognition . . . suggesters are motivated to participate by the probability of receiving recognition and/or cash awards."<sup>1</sup>

<sup>1</sup>Employee Innovation and Government Productivity: A Study of Suggestion Systems in the Public Sector, International Personnel Management Association, 1976.

**Chapter 3  
Larger Cash Awards Could Stimulate Greater  
Participation in Federal Suggestion Programs**

**Table 3.2: Percent of Savings Paid as Award**

<b>Percentage paid</b>	<b>Percent of reporting firms</b>
10 percent and under	47
11 to 20 percent	37
21 to 30 percent	12
31 to 50 percent	4
<b>Total</b>	<b>100</b>

Our analysis showed that because of differences in award calculation formulas, federal employees receive lower awards than private firm employees for tangible benefit suggestions with identical cost savings above \$10,000. For example, the effect of the two formulas on an award for a tangible benefit suggestion saving \$100,000 is that a federal employee would receive \$3,700, while a private firm employee would typically receive 10 percent or more of the cost savings, or at least \$10,000.

According to OPM's program manager, the major reason the federal government has not adopted a fixed-percentage formula is because the government has consistently taken a cost-benefit approach, i.e., paying awards that OPM considers meaningful and motivating to employees. The OPM official said that although OPM has not adopted the flat-rate formula, they have periodically considered changes in the scale and have made gradual increases in the percentage payout to employees. He said these changes occurred in 1969, 1973, and 1981.

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## Conclusions

Since money is an important motivator to suggestion program participants, offering greater monetary awards on the basis of fixed-percentage formulas as private firm programs typically do, could provide greater incentives for employees to make suggestions. Because we did not analyze the effect of award ceilings on employee participation or suggestion savings, we are not commenting on whether the existing award ceilings should be changed. However, as discussed in the previous chapter, monetary awards are only one of the factors in a successful program and, without emphasizing the other factors, the potential for increased participation and savings may not be realized.

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## Recommendation

To motivate federal employees to participate more actively, we recommend that the Director, OPM, adopt a fixed-percentage formula for tangible benefit awards of not less than 10 percent, which as shown by NASS data is the typical industry practice. OPM and other agencies should be aware that the potential benefits of this change may not be realized unless the other key factors in a successful program are also emphasized.

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## Agency Comments

We obtained oral comments on a draft of this report from OPM officials who agreed with our findings. They said OPM was reviewing the relationship between benefits and awards under this program and will consider our recommended change in the formula as part of its review. They also provided some technical comments, which we incorporated into this report.

# Private Sector Firms Reporting Data to NASS

A W Chesterton Company	Dezurik
A.T.&T. Corporation	DOFASCO Inc.
A.T.&T. Microelectronics	Domino's Pizza Inc.
Adalet - PLM Company	Dorsey Laboratories
Adams-Russell Electronics	E. I. Du Pont, May Plant
Aerojet Co.	E-Systems Inc.
Air Canada	Eastman Kodak Co.
Akron City Hospital	EG&G Florida Inc.
Allen-Bradley Company	EG&G Energy Measurements
Allied Signal Aerospace	Electric Materials Co.
Alpo Petfoods Inc.	Fedders Corporation
American Cast Iron Pipe	Federal Express Corp.
American Bankers Ins. Gr.	Federal Bus. Dev. Bank
American Airlines	Fidelity Investments
Anchor Hocking Cont. Div.	First Interstate Bank
Anheuser-Busch Inc.	Ford Motor Co.-Milan Plant
Arizona Public Service	Fortune Financial Group
Arkansas La. Gas Company	Friendly Ice Cream
Arrowhead	Garrett Engine Division
Atlanta Gas Light Co.	GEICO
Babcock & Wilcox NNF	General Dynamics-VS Div.
Babcock & Wilcox Co.	General Dynamics-Pomona
Baltimore Gas & Elec. Co.	General Electric Co.
Bank of America	General Mills Inc.
Bausch & Lomb	General Motors Corp.
Baycoat	Gillette Safety Razor
BC Rail Ltd.	Good Samaritan Hospital
Belden Wire & Cable	GPU Service Corporation
Bell Canada	Grand Transformers Inc.
Bellsouth Adv. & Publ. Co.	Grange Mutual Companies
Blue Cross/Shield - N.C.	Griffin Wheel Company
Boeing Petroleum Servs.	Grumman Corporation
Borg Warner	GTE South
Bristol-Myers	GTE Southwest Inc.
Broan Mfg Co.	Guaranty Trust - Canada
Budd Canada, Inc.	Hallmark Cards Inc.
C&P Telephone Company	Haworth Inc.
Canadair Ltd.	Henderson Mine Amax Inc.
Canadian Red Cross - HQ	Hercules Aerospace Grp.
Canadian National Rlwys.	Home Savings of America
Canadian Imp. Bank Comm.	Homestake Mining Co.
Canadian Bank Note Co.	Honda of America
Caterpillar, Inc.	Honeywell Inc.
Central Telephone	Hoogovens Ynuiden
Chase Lincoln First Bank	Household Finance Corp.
Cigna Corporation	HR Textron
Cincinnati Bell	Hughes Aircraft Co.
Colonial Life & Ac. Ins.	IBM Corporation
Combustion Engineering	Imperial Life Assurance
Commerce Bank	Inco Limited
Con. Edison of New York	Indianapolis Life Ins.
Consumer Gas Company	Inland Steel Company
Consumers Power Company	Insurance Corp of BC
Control Data Corp.	Iowa Methodist Med. Ctr.
Crane & Company Inc.	J.M. Family Enterprises
Cranston Print Works Co.	Jay R. Smith Mfg. Co.
Datagraphix	Jefferson - Pilot Life
Deere & Company	John Hancock Mut. Life
Delmarva Power & Light	Johnson & Johnson Products

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Gainsharing: DOD Efforts Highlight an Effective Tool for Enhancing Federal Productivity (GAO/GGD-86-143BR, Sept. 1986).

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**Appendix II**  
**Private Sector Firms Reporting Data to NASS**

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Kaiser Permanente Med.	Pratt & Whitney-Canada
Kaman Aerospace Corp.	Pratt & Whitney-Maine
L' Eggs Products Inc.	Pratt & Whitney-Florida
Langston Corp.	Prof. Community Mgmt.
Larson & Toubro Ltd.	Puget Power
Lincoln Tel. & Tel. Co.	Quintette Coal Limited
Lockheed Space Opns. Co.	R J Reynolds Tob USA
Lone Star Steel Company	Ralston Purina Co.
Lucas Industries PLC	Raytheon Company
M M Aero & Naval System	Reynolds Elec. & Eng. Co.
Macs Convenience Stores	Rockwell Intl.-Anaheim
Mannington Resilient	Rockwell Intl.-Newp. Beach
Marion Laboratories Inc.	Rockwell Intl.-Rockyflats
Martin Marietta Astronautics	Rockwell Rocketdyne Div.
Martin Marietta MSS	Royal Bank of Canada
Martin Marietta Aerospace	RTE Corporation
Mason & Hanger	Rubbermaid Inc.
Matthews International	Sacto Muni. Utility Dist.
Maytag Company	Salt River Project
McDonnell Douglas	San Diego Gas & Electric
Mercantile Bank	Sanders Associates
Metro Transit Comm.	Sara Lee Bakery Co.
Metropolitan Edison Co.	Schwan's Sales Ent Inc.
Miles Inc.	Security Pacific Bank
Miller Brewing Company	Signet Bank
Montana Power Company	Smith's Ind.
Moore Special Tool	Sonoco Products Company
Morton Thiokol-Space Ops.	South Central Bell
Mountain Bell	Southeast Bank
Munson Medical Center	Southern Bell
National Fuel Gas Co.	Southwestern Bell Tel.
National Steel Corp.	Southwire Company
Nationwide Insurance	Sovran Financial Corp.
Navistar International	Sprague Electric Co.
NCR Comten Inc.	St. Vincent Hospital
New York Telephone Co.	State Farm Insurance Co.
New England Telephone	Sunbeam Plastics Corp.
Newfoundland Telephone	SVERDRUP Technology Inc
NFLD Light & Power Co.	Tennant Company
Northern Telecom	Texas Eastman Company
Northern Telecom Canada	The Gillette Company
Northrop Corp.	The Travelers Companies
Northwestern Bell Tel.	The Budd Co.
NY Power Authority	Thermon Mfg Co.
NYNEX Enterprises	U.S. West Direct
Ohio Edison Company	Union Carbide - Texas City
Ohio Bell Telephone Co.	Unisys Corporation
Pacific Northwest Bell	Univ. of N.E. Med. Center
Pacific Gas & Electric	Univ. of Mich. Med. Center
Pacific Steel Ltd	Varian-Eimac Salt Lake
Philadelphia Electric Co.	Virginia Power
Philadelphia Water Dept.	Walgreen Company
Philip Morris-Richmond	Walt Disney World Co.
Philip Morris USA	Western Star Trucks, Inc.
Phillips Petroleum Co.	Whirlpool Corporation
Pitney Bowes	Wisconsin Bell
Plumley Companies	Xerox Corporation
Polysar Corunna	YSI Inc.

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# Methodology for Calculating Intangible Benefit Suggestion Awards

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Through discussions with private and federal program managers and document review, we found that intangible benefit suggestion awards are calculated by private firms and federal agencies similarly. The savings from this type suggestion cannot be quantified in terms of dollars; therefore, both private and federal organizations typically calculate an award on the basis of broad categories of expected benefits (moderate, substantial, high, or exceptional), and the expected extent of use throughout the agency (limited, extended, broad, or general). Each of these expected benefits has an award range. For example, under the federal program, an intangible benefit suggestion considered to have moderate value and limited application could receive an award ranging from \$25 to \$100, while a suggestion having exceptional value and general application could receive an award ranging from \$5,000 to \$10,000 under agency authority. A higher amount can be awarded if recommended by the agency head and approved by the Director, OPM or the President.

## Pilot Study Results Show That Program Participation Increases When Awards Are Increased

In 1976, OPM did a 12-month pilot test of a proposed higher award scale for tangible benefit suggestions to determine whether it would produce proportionately increased tangible benefits and program participation. Six federal agencies<sup>3</sup> agreed to participate in the pilot test. Table 3.3 compares award amounts based on the 1973 scale and the pilot test scale.

**Table 3.3: Comparison of Award Amounts Using 1973 Formula and Test Formula**

Tangible benefits	1973 formula awards	Pilot test awards
\$5,000	\$300	\$500
15,000	675	800
25,000	825	1,100
75,000	1,075	2,600
100,000	1,200	3,350
1,000,000	2,100	12,350
10,000,000	11,100	25,000

While extensive data on the test were not available, OPM's records showed that tangible benefits from suggestions increased in one agency (Housing and Urban Development, which reported an increase of over \$100,000); suggestion submission rates increased in four agencies, ranging from 30 percent to over 500 percent.<sup>4</sup> Three agencies that reported participation data did not report data on tangible benefits.

OPM also found that although the National Aeronautics and Space Administration (NASA) was not one of the six pilot study participants, it decided to apply the pilot test award formula in calculating its tangible benefit awards. NASA later reported an increase from 3.2 to 4.1 per 100 employees in participation rate and an increase in tangible benefits of about \$3.7 million.

Although the pilot study and NASA's experience showed that raising the award scale would increase both participation rates and tangible benefits, OPM officials decided not to act on the proposal because of the cost implications of the higher award scale. Nevertheless, in 1981, OPM liberalized the award scale to its present values.

<sup>3</sup>Participating agencies were the Federal Communications Commission, the General Accounting Office, Government Printing Office, the Department of Health and Human Services, the Department of Housing and Urban Development, and the Securities and Exchange Commission.

<sup>4</sup>According to an OPM official, one agency reported rates increased but did not give details.

## Private Suggestion Programs Provide Greater Monetary Awards

Our analysis of private sector and federal monetary awards<sup>2</sup> reported to NASS showed that in 1987:

- The average award paid per 100 eligible employees in private firms was \$682, while for federal employees, the average award was \$299.
- Private firms paid about 21 times more awards dollars per 100 eligible employees than federal agencies. Private firms paid about \$5,000 per 100 eligible employees compared to \$235 for federal agencies.
- Private firms paid about 10 percent of savings as awards, while federal agencies paid about 2 percent.
- Eighty-eight percent of reporting entities said they had award ceilings.

In 1981, OPM established the current federal award formula for tangible benefit suggestions. The formula provides a smaller percentage award as the amount saved increases, as shown in table 3.1. Under OPM policy guidance implementing the provisions of Title 5, U.S.C., the maximum award an agency can grant is \$25,000, and, the President is authorized to grant an additional \$10,000 for especially meritorious suggestions.

**Table 3.1: Federal Award Scale**

Tangible benefits (first-year savings)	Award
Up to \$10,000	10 percent of benefits
\$10,001 - \$100,000	\$1,000 for the first \$10,000, plus 3 percent of benefits over \$10,000
\$100,001 or more	\$3,700 for the first \$100,000, plus 0.5 percent of benefits over \$100,000.

NASS' 1987 statistical report showed that private firms typically pay a flat percentage of first-year savings as awards for tangible benefit suggestions. Our analysis of that data showed that 71 percent of private firms used fixed-percentage formulas to calculate awards. Over 50 percent of firms reporting their award schedules applied a percentage factor greater than 10 percent to estimated first-year savings as shown in table 3.2.

<sup>2</sup>According to OPM and two agencies we contacted, federal agencies for the most part do not keep records that classify what portion of award dollars paid are for tangible or intangible benefit suggestions. Private firms make this distinction in reporting to NASS the awards dollars they paid out.

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## OPM Initiatives to Enhance Less Successful Programs

Responding to recommendations in our March 1987 report,<sup>2</sup> OPM has taken several actions to improve the federal program. We reported that agencies varied widely in the level of management emphasis and resources devoted to the program, as well as program results. We recommended that OPM (1) identify agencies with no programs or with marginal or declining programs, (2) determine the reasons for low activity, and (3) report the findings to top agency officials, to ensure corrective action.

Since our report was issued, OPM identified the 38 agencies having the lowest employee participation or no activity and contacted the agencies' key officials to identify the causes of the low activity and to seek corrective action. OPM took the following other actions during 1987 and 1988: (1) issued guidance to agencies on suggestion program evaluation, planning, and administration; (2) made suggestion program posters and pamphlets available to agencies; and (3) informed agencies about training programs in this area.

Program activity reports showed that 17 of the 38 agencies had higher participation rates in 1988 than in 1987. For example, the Environmental Protection Agency reported that its participation rate in 1988 doubled its 1987 rate.

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## Innovations Being Tested by Private Sector Programs

The literature indicates that several private sector firms are currently testing a concept of having a separate suggestion program that focuses on the employee's own work area and requires that the suggestor's supervisor rapidly responds. Suggestions under this concept must be evaluated in 30 days or less with an immediate small cash award for those adopted. Suggestions that could apply more broadly are referred to the firm's regular suggestion program for further consideration and potentially greater awards.

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## Conclusions

While there is general agreement on the factors that make for a successful program, the degree to which these factors are present in federal programs varies across the government. OPM's initiatives have demonstrated that with increased attention and emphasis, agencies can improve their program results; almost half of the agencies contacted by OPM reported higher participation the first year after OPM's initiatives.

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<sup>2</sup>Federal Personnel: Agencies Need to Make Greater Use of Employee Suggestion Programs (GAO/ GGD-87-44BR; Mar. 17, 1987).

program. OPM publishes a newsletter, Incentive Awards Notes, to communicate with program managers about federal suggestion programs.

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### Importance of Adequate Resources

According to private and federal program managers, adequate program funding, staffing, training, and recordkeeping also demonstrate management support. However, MSPB reported that federal agencies for the most part do not allot sufficient resources to adequately administer their programs. For example, the MSPB report said suggestion program administration is frequently a collateral duty of personnel with other responsibilities. These staff members are frequently low graded, which limits their ability to effectively interact with higher level management or initiate substantive program changes or refinements. In a 1988 OPM survey of 38 federal agencies identified as having the lowest suggestion program participation rates, the agencies' officials most frequently attributed their low level of participation to insufficient resources.

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### Monetary Awards and Recognition Contribute to Program Success

Private and federal program managers told us that monetary awards often fuel participation in suggestion programs. The literature on employee motivation also cites personal recognition as an important reason for participating. We found that monetary awards are the most common form of reward for beneficial suggestions in both the private and federal sectors. According to 1987 NASS data, about 87 percent of the reporting private firms pay cash awards for beneficial suggestions. All federal suggestion programs can pay cash awards as prescribed by OPM regulations. We found, however, that private firms pay larger monetary awards than federal agencies do. Chapter 3 further discusses this discrepancy and its effect, as well as the importance of recognition.

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### Eliminating Disincentives Can Stimulate Participation

Eliminating disincentives is another important way to help ensure a successful program. Many managers we interviewed said a major disincentive to program participation is slow processing (from initial receipt to final disposition of suggestion). In 1987, according to NASS, 24 percent of all reporting organizations had an average processing time that exceeded the 90-day NASS processing standard. (The percentage of private firms or federal agencies exceeding the processing standard was not available.) Further, we found that in two of the federal agencies we contacted, some suggestions have taken more than a year to process.

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# Factors Contributing to Successful Suggestion Programs

There are many factors that contribute to the success of suggestion programs. According to private sector and federal program managers and studies by us and others, there is general agreement that the key factors are management involvement and participation in the program, continuous publicity, monetary awards and recognition, and adequate funding and staffing. Many of these managers also said there are factors that can decrease program effectiveness and employee participation. They said slow processing of suggestions and unresponsive replies to employees are the biggest disincentives to employee participation.

We found that while the key factors were generally present to some degree in federal agencies' programs, they were not always emphasized. Private sector managers said the emphasis on the key factors varies in private sector programs as well. A major difference between private and federal program policies appears to be cash awards; the private sector has more generous award formulas, resulting in larger monetary awards. Chapter 3 discusses the importance of monetary awards.

## Key Factors of a Successful Program

Over the past several years, GAO and other agencies have issued a number of reports that identify factors important to the success of suggestion programs. Our 1978 report<sup>1</sup> said that if the federal employee suggestion system was to be more effective, the basic problem was enlisting the active support and participation of managers and employees at agency headquarters and local activities. We concluded that among the necessary factors for an effective program are (1) active management commitment and support, (2) adequate staffing, and (3) constructive responses to suggestions.

In a 1986 study, MSPB surveyed program managers in 22 of the largest federal agencies to identify the factors for a model suggestion program. Program managers most frequently mentioned top management support as a key factor. Ongoing publicity, adequate funding, adequate staff, training, a good recordkeeping system, and a responsive program, were other factors thought necessary for a model suggestion program. According to the study, the degree to which each of the key elements is provided affects the relative success of the suggestion program.

Private sector and federal program managers we interviewed also said granting monetary awards was important in motivating employees to

<sup>1</sup>Federal Employee Suggestion System — Possibilities for Improvement (FPCD-78-73, Nov. 8, 1978).

We interviewed suggestion program officials of six firms,<sup>2</sup> four federal agencies (OPM, the Departments of the Air Force, the Navy, and Veterans Affairs) and NASS to identify the factors that contribute to a successful program. From NASS' 1986 Statistical Report (the latest report available when we began our work), we identified major firms with over 10,000 employees that reported high levels of program activity (suggestions received and adopted). Later, NASS issued its 1987 Statistical Report from which we obtained the statistical data used in this report. From the universe of major firms, we judgmentally selected six private firms so as to cover such different types of industries as manufacturing, insurance, and utilities. We included OPM in our review because it is the oversight agency for federal suggestion programs. We also included the Air Force, the Navy, and Veterans Affairs because they were among the agencies reporting the highest program activity and/or savings and our work focused on successful programs. These agencies are also NASS members and reported statistical data for NASS' 1987 report.

We reviewed regulations and guidelines to identify the policies under which federal programs operate.

To determine what motivates employees to make suggestions, we (1) reviewed a 1976 OPM pilot study involving six federal agencies to test the effects of larger awards on federal suggestion program participation and savings, and (2) examined over 400 computer-generated literature citations concerning employee motivation in general, money and motivation, suggestion systems, or public employees. To identify the literature citations, we searched OPM data bases, NASS, and the Congressional Research Service for publications on employee motivation issued during the period 1975 through 1988. After studying brief summaries, we judgmentally selected 40 publications that appeared to be relevant to the topic of employee motivation. Of the 40, 30 were available for review. We reviewed these journal articles, surveys, reports, and research studies to determine what factors motivate people to offer suggestions. These publications are listed in the bibliography.

We also reviewed two OPM surveys and a study by the Merit Systems Protection Board (MSPB) related to aspects of the federal suggestion program. In a 1988 survey, OPM asked 38 agencies why their suggestion programs had low activity. In another 1988 survey, OPM asked 23 of the

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<sup>2</sup>The six firms are Eastman Kodak in Rochester, New York; General Dynamics in Fort Worth, Texas; Nationwide Insurance in Columbus, Ohio; Northrop Corporation in Hawthorne, California; Pacific Gas and Electric in San Francisco, California; and Phillips Petroleum in Bartlesville, Oklahoma.

# Introduction

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The Government Employees Incentive Awards Act of 1954 as amended, currently codified as Chapter 45 of Title 5, U.S.C., established the incentive awards program in the federal government, including the employee suggestion program. The incentive awards program requires federal agencies to recognize and reward employees for their meritorious achievements or suggestions, thus encouraging employees to contribute to the efficiency, economy, or improvement of government operations.

Under the law, the suggestion program applies to all executive branch agencies and certain other government agencies, including the Administrative Office of the United States Courts, the Library of Congress, the Office of the Architect of the Capitol, the Botanic Garden, and the Government Printing Office.

Section 4506 of Title 5, U.S.C., requires the Office of Personnel Management (OPM) to regulate the employee suggestion program. The regulations are contained in 5 CFR, Part 451, which requires agencies to

- budget adequately for awards, staff, and support services to assure prompt action on awards decisions;
- establish effective promotion and publicity activities to encourage employee participation; and
- report annually on program activity to OPM.

OPM is responsible for overseeing agency suggestion programs. Also, OPM advises and gives technical assistance to agencies regarding their suggestion programs.

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## Nature of Employee Suggestion Programs

Federal agencies have established employee suggestion programs to provide a forum for employees to submit ideas for improving operations in the work place and to reward suggesters, generally by paying them cash awards for adopted ideas. Private firms have established similar programs. Basically, in both private firms and federal agencies, a suggestion is to be written and submitted by an employee to a suggestion program manager, who is to record the suggestion and send it to an evaluator knowledgeable in the subject area. The evaluator is to review the suggestion, gather facts and review records, apply his or her expertise, and then approve or disapprove the suggestion. After evaluation, the suggester is to be informed of either rejection or adoption. If the suggestion is adopted, the suggester is to receive an award.

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suggestion systems are critical. Such systems can track suggestions and periodically provide employees with status information. In another 1988 survey of 23 of the largest federal agencies, OPM found that 11 had automated suggestion systems and 12 did not. In 1988, OPM issued guidance to agencies on using computers to improve their suggestion programs. (See pp. 14 and 15.)

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**Actions to Improve  
Federal Programs**

During 1987 and 1988, OPM took a number of actions designed to strengthen the federal suggestion program, including issuing guidance to agencies on suggestion program evaluation, planning, and administration. (See p. 16.)

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**Private Programs Are  
More Active**

According to the Association, participation rates and savings are the primary indicators of program success. On the basis of 1987 Association data, private sector member programs generated about 30 suggestions per 100 eligible employees compared to 3.9 for member federal programs. Additionally, those private firms realized about \$50,000 in savings per 100 eligible employees compared to about \$11,000 for member federal agencies. (See p. 17.)

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**Private Firms Offer  
Greater Awards**

The Association's 1987 data show private sector members granted awards of \$5,000 per 100 eligible employees compared to \$235 for member federal agencies, and private sector members paid about 10 percent of tangible benefit savings as awards compared to about 2 percent for the federal agencies. (See p. 18.)

The Association's report showed that most of the private sector members reporting award scales calculated tangible benefit award amounts based on a fixed percentage of savings realized. Their typical practice was to award 10 percent or more of savings subject to award ceilings. Federal agencies use a sliding scale formula (10 to 0.5 percent of savings) to calculate award amounts subject to award ceilings. Thus, as dollar savings increase, federal award recipients receive a progressively smaller percentage of the savings. (See pp. 18 and 19.)

GAO found that federal and private intangible benefit awards are calculated similarly, and that because intangible benefits cannot be calculated in dollars, an award is typically based on broad categories of expected benefits, and the expected extent of use. For example, in a federal program, an intangible benefit suggestion considered as having moderate

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# Executive Summary

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## Purpose

The potential for an employer to achieve substantial savings from an employee suggestion program can be great—236 private firms reported savings of \$1.4 billion in 1987. In view of this, the former Chairwoman, Subcommittee on Civil Service, House Committee on Post Office and Civil Service, and Representative John Kasich asked GAO to determine (1) what factors contribute to a successful suggestion program in both employee participation and savings, and (2) what private sector policies and practices could be adopted to enhance federal programs.

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## Background

Private sector and federal suggestion programs have been established to recognize and reward employees for their meritorious suggestions. The Government Employees Incentive Awards Act of 1954 authorized federal agencies to establish employee suggestion programs. The Office of Personnel Management (OPM) oversees program activity for federal agencies and issues regulations for the programs. (See p. 8.)

Suggestions may result in either tangible or intangible benefits. Tangible benefits are improvements that result in quantifiable savings, such as producing more items at less cost. Intangible benefits, such as improving safety techniques, cannot be quantified in dollars. Employees can receive awards, usually monetary ones, for both tangible and intangible suggestions. (See p. 9.)

The National Association of Suggestion Systems, with over 1,000 members, collects and disseminates nationwide data about suggestion programs. Members include both private and federal organizations. In 1987, 236 private firms and 83 federal agencies reported their program activity statistics to the Association; these numbers form the basis for the statistical comparisons in this report. The private sector firms reporting data included many of the major U.S. corporations. (See p. 9 and app. II.)

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## Results in Brief

Suggestion program managers and various studies have identified the key factors in a successful program: 1) management support, 2) continuous publicity, 3) adequate funding and staffing, 4) monetary awards, and 5) responsiveness to suggesters. While studies by GAO and others and discussions with managers disclosed that the key factors were not always emphasized in federal or private sector programs, they were generally present to some degree.

